

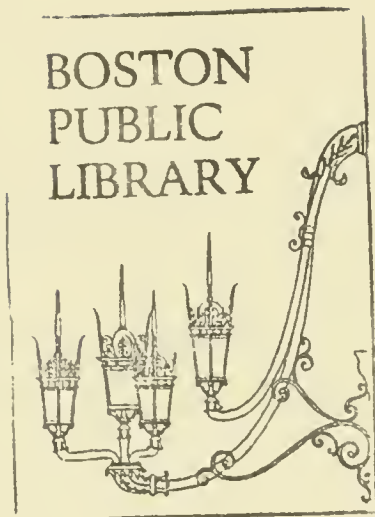
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# WHITTIER PARTNERS

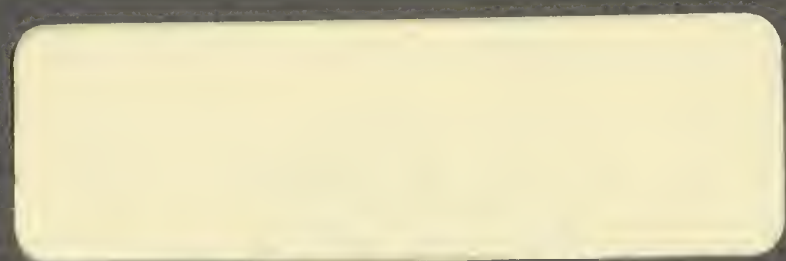
## APPRAISAL REPORT

CUSTOM HOUSE TOWER  
BOSTON, MASSACHUSETTS

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2011.11.17



**APPRAISAL REPORT**

**CUSTOM HOUSE TOWER  
BOSTON, MASSACHUSETTS**

**Prepared for**

**Mr. George L. McGoldrick, Jr.  
The Beal Companies  
177 Milk Street  
Boston, MA 02109-3410**

**Date of Valuation**

**September 25, 1991**

**Prepared by**

**Webster A. Collins, MAI, CRE  
Whittier Partners  
155 Federal Street  
Boston, Massachusetts 02110**





# WHITTIER PARTNERS

COMMERCIAL REAL ESTATE SERVICES

155 FEDERAL STREET • BOSTON, MASSACHUSETTS 02110 • FAX 617-482-5509 • TEL 617-482-6000

ESTABLISHED 1900

September 27, 1991

Mr. George L. McGoldrick, Jr.  
The Beal Companies  
177 Milk Street  
Boston, MA 02109-3410

Dear Mr. McGoldrick:

In accordance with your request, this is a letter report which values that property located at known as:

## **THE CUSTOM HOUSE TOWER BOSTON, MASSACHUSETTS**

We have chosen a letter report format due to your requirement of a prompt response. If requested, we would be pleased to prepare a detailed narrative appraisal report. This letter complies with the standards for letter reports of the Appraisal Institute, of which the writer is a member. This appraiser qualifies under USPAP Competency Provisions, and in this regard, he has over thirty years experience in the valuation of similar type property. In addition, he has appraised a number of other buildings in the immediate area, which include 114 State Street, 131 State Street, 40 Broad Street, 15 Broad Street, and 33 Broad Street.

This appraisal is prepared as of September 25, 1991, and analyzes the property under an "as is" condition. Based on the study contained herein, we have concluded that the most probable selling price of this property would be:

"AS IS" ESTIMATE OF VALUE  
AS A SHELL FOR CONVERSION TO  
OFFICE/RETAIL USE

**\$4,150,000**



For ease in reading, this report is divided into the following sections. The February 5, 1988 plan referred to above contemplated use of the tower for office purposes. The starting point of this report will be to discuss the office market.

### "THE MARKET" IN MARKET VALUE

Dramatic change has taken place in the Boston office market during the past twelve years. From 1979 to 1988, values tripled or quadrupled. In terms of land value alone, values moved from \$5.00 to \$7.00 per buildable foot upwards to between \$70.00 and \$90.00 per buildable foot in downtown Boston. The Boston market was a "hot" market.

Today, as measured by land value, although no sales for development have taken place, residual valuations prepared by the writer of this report indicate that no more than \$15.00 to \$20.00 per buildable foot can be obtained.

In terms of buildings themselves, in the late 1970's, properties were being acquired at between \$10.00 per square foot and \$20.00 per square foot. With a typical rehabilitation cost of between \$50.00 per square foot and \$60.00 per square foot, at the peak of the office sales market in 1989, buildings were selling in prime downtown locations at between \$214.00 per square foot and \$269.00 per square foot. Today, although buildings have not sold, we are valuing the property in the \$70.00 per square foot range to the \$85.00 per square foot range.

There are exceptions to this thinking when high rent retail space exists.

In the Central Business District alone, we are looking at an 18% vacancy in office space.



## Market Statistics

	<u>#</u> <u>Bldgs.</u>	<u>Submarket</u> <u>Size</u>	<u>Available</u> <u>S.F.</u>	<u>Vacancy</u>	<u>Rent</u>
Central Business District	177	30,022,220	5,423,249	18%	\$29.36
Back Bay	87	12,141,118	2,304,882	19%	\$29.94
Charlestown/East Boston	17	1,983,521	306,956	15%	\$15.43
Fort Point Channel	32	3,074,493	727,351	24%	\$17.21
Mid-Town	31	1,747,141	265,470	15%	\$14.68
North Station/Waterfront	39	2,277,576	754,406	33%	\$18.33
South Station	31	2,458,100	579,302	24%	\$21.71
Dorchester/South Boston	13	793,328	200,245	25%	\$11.62
Allston/Brighton/Longwood Medical	30	1,282,237	254,536	20%	\$18.18
Overall Boston Market	457	55,779,734	10,816,397	19%	\$26.14

To place trends in perspective, during the 1980's, vacancy levels in Boston ebbed and flowed. The typical range was between 5% on the low side to as much as 12% on the high side. In 1989, there was a slight dip down to the 11% level. Since 1990, however, vacancy rates have increased 60% to the 18% level reported above. This is shown in the graph found on the following page.

The Boston office market is driven primarily by employment, and employment trends are an important consideration in any discussion of office property. One new job increase in terms of demand will trigger a need for 250 square feet of space. One job loss will reduce demand by a similar amount.

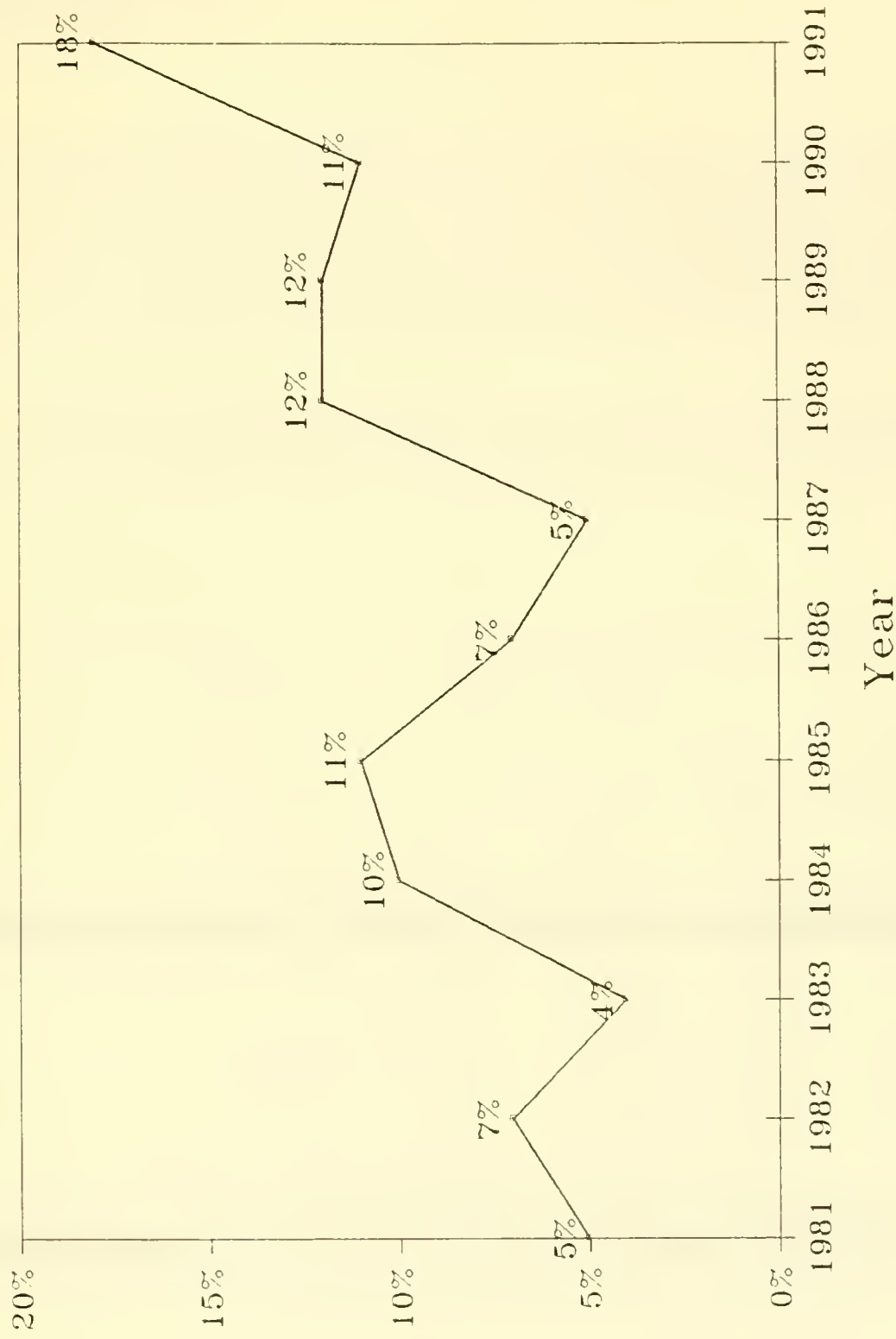
Employment Trends

Employment in the Boston metropolitan area grew at an impressive rate in the 1980's. Employment increased constantly through the decade of 1980-1988.





# Boston Average Office Vacancy Rate



Whittier Partners



In 1989 and 1990, the Boston area suffered a loss in total jobs due to a general economic slow-down. Between 1988 and 1989, 10,000 jobs were lost. Between January of 1990 and June of 1990, an additional 20,000 jobs were lost. Between June and December of 1990, the job situation becomes grey due to factors of golden parachutes and committed employee reduction programs that are not yet taken into account. Depending upon sources of information and statistics, the total job loss in 1990 could vary between 50,000 jobs and 90,000 jobs.

Recent studies, on a more positive note, project that for the future a growth from 0.3% to as much as 1% could take place between 1991 and 1993. On this basis, at 250 square feet per employee, the following chart shows a demand for Boston of 628,075 square feet per year.

PROJECTED DEMAND FOR OFFICE SPACE 1991 - 1993 BOSTON AND THE SUBURBS					
INDUSTRY	AVERAGE ANNUAL DEMAND (SF)	BOSTON SHARE (%)	SUBURBAN SHARE (%)	ANNUAL BOSTON SHARE (SF)	ANNUAL SUBURBAN SHARE (SF)
MANUFACTURING	(170,543)	10.00%	90.00%	(17,054)	(153,489)
TRANS/COMM/P.U.	23,357	10.00%	90.00%	2,336	21,021
F.I.R.E.	206,655	45.00%	55.00%	92,995	113,660
SERVICES	1,374,497	40.00%	60.00%	549,799	824,698
GOVERNMENT	0	40.00%	60.00%	0	0
TOTAL	1,433,965	43.80%	56.20%	628,075	805,091





### Supply and Demand

In simplest terms, the supply of space substantially exceeds the demand for space in Boston. As is shown in the bar chart found on the following page, the supply of space has come on the market in spurts. 1984 and 1988 were peak years at 4,100,000 square feet per year. A total of 14,400,000 square feet of space was completed in this five-year period, against which 10,900,000 square feet of space was leased. The absorption of space is shown in the bar graph found on the second following page.

By the end of 1988, some 3,500,000 square feet of space remained to be leased out of the 1984 to 1988 inventory, with an additional 3,800,000 square feet under construction for delivery in 1989 to 1991. The problem is that in 1989, total absorption dropped to approximately 500,000 square feet and, by our calculations, turned negative in 1990 for the market as a whole.

The impacts on the real estate industry are severe. Almost daily, difficulties experienced are reported in major publications:

"...A 30% drop in the Boston office leasing market in the past year..."

"With shrinking business leaving the space almost as fast as new buildings were being finished, Boston developed an office glut that quickly drove down rents and incomes"

"Property values plummeted as well - by 25% on average, but by 15% in the best of cases and, in the worst cases, as much as by half."<sup>1</sup>

In simplest terms, when demand exceeds supply, increases in rental rates occur more rapidly than the rate of inflation. When supply exceeds demand, declines in rental rates occur just as rapidly.

These are the conditions which exist as of September of 1991. We are in a serious real estate recession that impacts all property, including that under analysis.

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<sup>1</sup> Jerry Ackerman, Globe Staff Articles of December 20 and December 30, 1990.



# Boston Office Supply

Square Feet (millions)

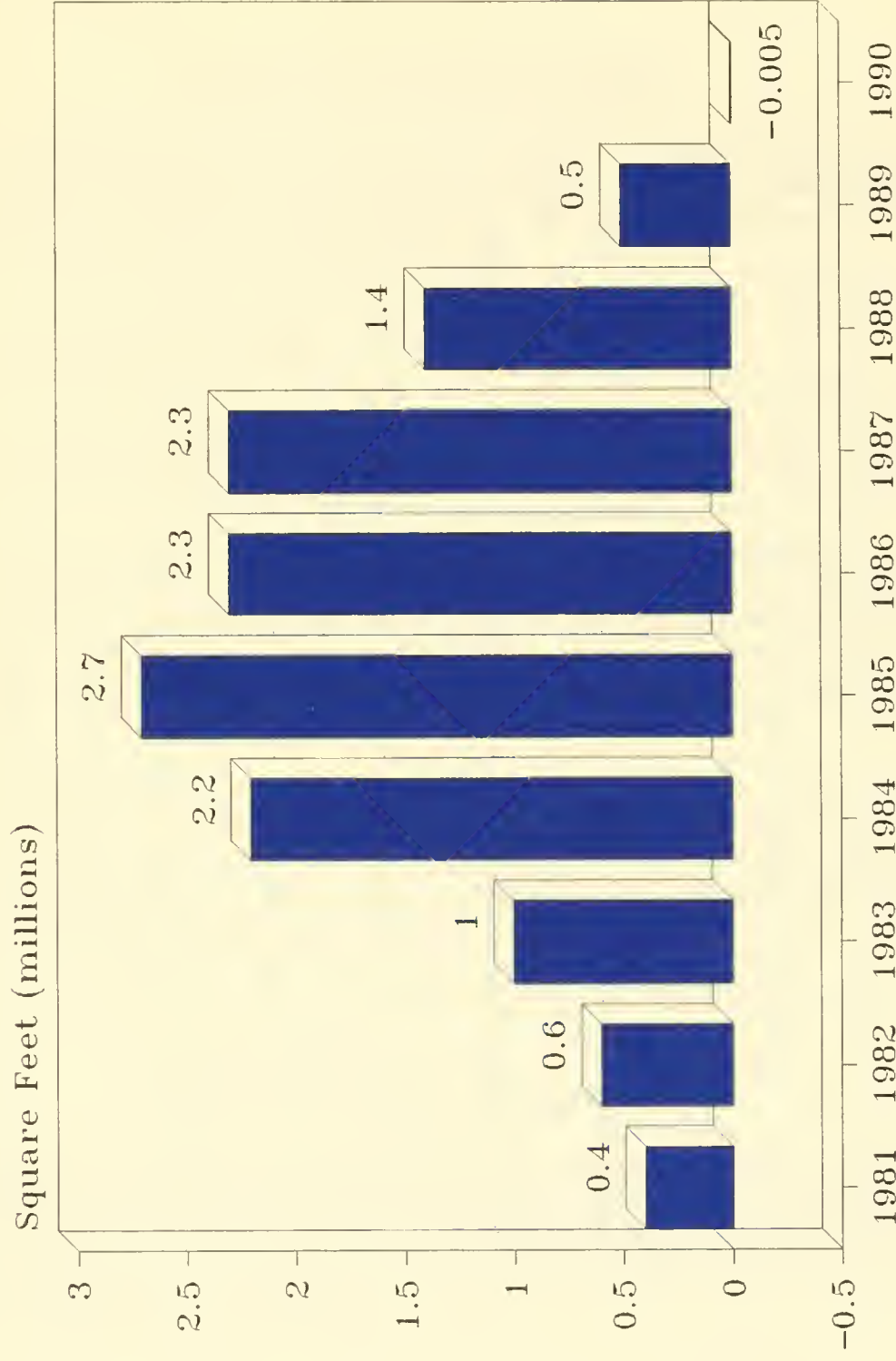


Whittier Partners

Annual Growth in Supply (first class)



# Boston Office Demand



Whittier Partners





### IMPACT OF LOCATION ON VALUE

When markets decline, locations can change. The burgeoning office markets of the early 1980's created office locations in such sections of the city as the Fort Point Channel and North Station, where none had existed before. These locations are now experiencing among the highest vacancies in the Boston market.

The market is in the process of retrenching back into downtown, and the location of the Custom House is particularly prime.

The Custom House itself sits on a 17,068 square foot parcel of land and represents the equivalency of a full city block. The parcel is bounded by State Street on the north, Central Street on the south, McKinley Square on the east, and India Street on the west.

The property is adjacent to a number of important buildings. These include 131 State Street and 40 Broad Street to the west, Faneuil Markets and the fifteen-story, 1985-built, 200 State Street complex to the north, One McKinley Square, an office condominium, to the east, and the historic Grain Exchange Building at 177 Milk Street to the south. The location benefits from the series of wharf buildings between One McKinley Square and the Central Artery which serve as a buffer from the highway itself.

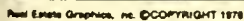
This section of the city is known as lower State Street and is considered on the northeast corner of the Financial District of the City of Boston. 75 State Street and 53 State Street, two high-rise towers, are within easy walking distance. The low-rise nature of the surrounding buildings, of six to eleven stories in height, enables this property to stand out and overlook the harbor in this section of Boston.

In summary, the location is outstanding, which has a positive impact on value.

### IMPACT OF THE PROPERTY ON VALUE

The property is a historic structure. The base was constructed in 1837 as a counting house, with construction of the tower, above the rotunda, commenced in 1911. The total building height is 495 feet, and at its time, was the tallest building in Boston. The property is one of the finest historic structures in the city. Its lighted copper-flashed roof, clock tower, and rotunda are nationally known landmarks.









The Custom House contains a gross floor area of 140,914 square feet in thirty floors. The largest floors are the basement, ground level, and first and second floor space, which are between 9,600 square feet and 16,020 square feet each. The third floor is effectively the rotunda dome area, with nearly square areas above which have been used, over the years, primarily for office purposes. Floor sizes between floors four and fifteen are 4,359 square feet each. Floors sixteen to eighteen are 3,947 square feet each. Between floors nineteen and twenty-six, sizes vary from a low of 1,936 square feet to a high of 3,897 square feet. Within the top itself are small areas of between 100 and 900 square feet.

There are four elevators to the eighteenth floor. Between the eighteenth floor and twenty-fifth floor there is a single elevator that is not handicap accessible. There is a spiral staircase leading to the thirtieth floor, for a total of a walk-up of five stories to reach this height.

The tower contains two sets of stairs, with the second set not meeting code. On each floor, there is a single restroom.

Upon property inspection, it was found that spaces within the building are, in effect, in shell condition, with partitions removed, many lights removed, and the property "guttled", largely, to the exterior walls.

Due to design, wall thickness, and certain unusable areas, there is a major shrinkage between gross building area and rentable building area. Based on figures in the Beal/Museum of Science Proposal found in the Addenda to this report, the effective rentable area, as will be detailed herein, totals 78,318 square feet for a 55% efficiency factor.

In summary, what exists today is an historic structure, and except for the rotunda, has been gutted for development and effectively is in shell condition.



### HIGHEST AND BEST USE CONSIDERATIONS

Highest and best use is defined as:

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."<sup>2</sup>

In this instance, clearly, there are community benefits involved. As the property is a historic structure, the property can not be demolished, and the issue of underlying land value is moot.

Under these conditions, the assignment, then, becomes that of identifying the use of the property that is expected to produce the highest overall return on invested capital.

In studying highest and best use for the property, we have reviewed in detail the February 5, 1988 proposal by the Beal Companies and the Museum of Fine Arts, Boston. Their proposal was for retail space involving the basement and ground floor, museum space that, in effect, would be "free" on the first and second floor and office space above. Rents were between \$40 per square foot and \$50 per square foot for retail, \$40 per square foot for office space, and \$15 to \$20 per square foot for storage and the observatory at the top of the building.

With the changes in the Boston market, this approach is not realistic today. Retail rents have dropped, although not as significantly as office rents, and we project a basement restaurant at \$35 per square foot and ground floor retail at \$40 per square foot.

The first and second floor museum space that formerly had no rental value, now must be used for office space and must generate income. As documented on page 3 of this report, overall Boston market rents have declined with an average today of \$26.14 per square foot. For this reason, we have reduced office rentals from the \$40 per square foot level to \$25 per square foot.

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<sup>2</sup>American Institute of Real Estate Appraisers, The Dictionary of Real Estate Appraisal, Second Edition (Chicago, 1989), page 149.



One of the central themes of this report is that since 1988, the real estate world in Boston has changed. Although the property was acquired from the GSA for some \$15 million, its value is nowhere near this amount as of the writing of this report. The concept behind highest and best use is to look at property, such as the Custom House, and project a use that is feasible and creates the greatest return to property as of a given point in time.

This use, in our judgement, is, on a stand alone basis, for small offices and ground floor retail/basement retail. Consideration is being given to combine this property with the adjoining 131 State Street property, the combined value of which is not part of the assignment undertaken herein.

The Boston market in itself is unique. The Boston market is one place where rehabilitation of historic structures truly "works". In our judgement, this is the approach that can make sense for this property as with light and air, a classic design, and small floors, there would be a very broad small tenant market. Boston is undergoing a regeneration of business with a number of smaller, start-up companies in their formative phase. This is the type of tenant that could be generated for this property and would produce the most profitable use.

Thus, overall, the highest and best use for the property on a stand alone basis would be as an historic rehab with all costs "hard bought" and driven down to a bare bones minimum as allowed under current market conditions.

### DEFINITION OF MARKET VALUE

Market value is defined as:

"The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."<sup>3</sup>

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<sup>3</sup>American Institute of Real Estate Appraisers, The Appraisal of Real Estate, Ninth Edition (Chicago, 1987), page 19.





In most appraisal reports, after defining market value, the report moves on to another section. This is not the case herein, as the writer of this report believes that market value must be clearly defined.

Under an interim type use, the concept of market value becomes specialized. The logical buyer for the property is not the typical buyer that would acquire the real estate just for income alone. The logical buyer of the property would be one who could "shift gears" with the market and redevelop the property in its entirety. Thus, the logical buyer would be the ultimate buyer who could move the property from an interim to a long-term highest and best use.

## VALUATION

### Methodology

The approach employed herein is to value the property following a standard residual process. The property is first analyzed based on pro-forma income and expense analysis. From that are deducted cost to renovate with the balance being the residual that flows to the existing property.

Stated another way, the approach employed herein is to look at the property from a value perspective; then, look at the property from a cost perspective with a difference being the maximum amount that would be paid for the real estate.

The approach employed will be a direct capitalization methodology whereby we analyze income, deduct expenses, and capitalize resultant income at a market derived rate. The resultant value is then compared to cost.

### Estimate of Value of Custom House

The starting point is an analysis of income. In this regard, we have gone directly to the market and obtained actual leases with an adjoining property. Our objective has been to obtain leases that are of 1990 to 1991 vintage, reflective of current market conditions.





On the following page are a total of eleven leases representing a mix of office leases and retail leases. The office leases are dated between February of 1990 and September of 1990. The rents vary from a low of \$19.50 per square foot to a high of \$24 per square foot.

None of the tenant spaces are of the quality of the Custom House. These buildings do not have the image, the light and air, or the height found in the Custom House.

The rents purposely involve small spaces. The sizes vary from a low of 880 square feet to a high of 3,300 square feet in the case of the office type uses. This is consistent with the small room sizes within the property.

Overall, for office space, we have concluded that due to the uniqueness of the Custom House, a \$25 per square foot level would be realistic.

For retail leases, we have obtained six leases, three of which are relatively current. Rents vary from a low of \$23 per square foot to a high of in excess of \$60 per square foot. Again, the spaces are all small due to the type of space within the Custom House and vary in size from 621 square feet to a high of 2,420 square feet.

The location of these retail leases is important. There are leases at 114 State Street and 131 State Street which adjoins this property.

To be conservative, after taking into consideration all factors that impact value, we have concluded that for the basement space, the fair rental value as a restaurant, today, would be \$35 per square foot and for the ground floor, street level type retail, the fair rental value would be \$40 per square foot.

In terms of operating expense, we have reviewed actual operating experience in both 131 State Street and 114 State Street. In addition, we have studied a number of other buildings in Boston and include that, for a full service property with tenants paying their own electricity, \$6.30 per square foot would be a reasonable operating number. In terms of real estate taxes, we have applied \$3.00 per square foot.



**SUMMARY OF LEASES  
OFFICE AND RETAIL RENTS**

NO.	TENANT	LOCATION	LEASE TERM	SF AREA	RENT/SF	COMMENTS
<b>OFFICE LEASES</b>						
1.	Kahn & McKenzie	114 State Street	7/1/90 – 6/30/95	2,350	\$24/SF Avg. over 5 yrs.	1st year rent – \$20/SF, scaling \$2/SF per year. 1990 tax and operating base.
2.	Oxford Energy	114 State Street	9/1/90 – 6/30/91	2,348	\$24.00/SF	Extension of 1987 lease.
3.	Schofield & Company	131 State Street	4/1/90 – 3/31/95	880	\$19.50 – 1st year \$21.00 – 2nd year \$22.00 – 3rd year \$23.00 – 4th year \$24.00 – 5th year	Nine months free rent. Tenant pays electricity.
4.	Hermitage Group	131 State Street	2/1/90 – 11/30/92	3,300	\$24.06	
5.	Samuel Snyder	131 State Street	2/1/90 – 5/31/93	900	\$21.11	
<b>RETAIL LEASES</b>						
6.	Alessio d'Alessio	114 State Street	10/1/90 – 9/30/92 with one 3-year and one 5-year option.	1,076	\$46.47 – 1st year \$47.40 – 2nd year	Option years are at \$48.33 to \$54.83/SF.
7.	Downtown Donuts	114 State Street	3/1/89 – 2/28/93	900	\$60.00 – 1st year \$63.00 – 2nd–5th years	100% CPI in years 2 through 5.
8.	Kennedy Studios	131 State Street	N/A Began 8/1/90.	875	\$33.00	
9.	Barrie Place Ltd.	131 State Street	10/1/86 – 9/30/96	2,420	\$45.00	Older lease.
10.	Lawyers Stationary	131 State Street	7/1/87 – 6/30/92	2,028	\$40.00	Older lease.
11.	All World Travel	131 State Street	1/1/89 TAW	621	\$23.00	Tenant-at-will. Weak tenant.



The selection of a capitalization rate involves determining an appropriate rate for the type of property in today's market. On the following page are a series of other transactions that have taken place. These occurred when there was a hot market in 1989. The range of capitalization rates vary from a low of 5.7% to a high of 7.6% for older, rehabilitated, downtown properties. Propertiers outside of downtown typically sell at higher rates.

Clearly, since this array of rates was calculated, capitalization rates have increased. In this instance, to be conservative, we have added some 200 basis points over the high capitalization rate of 7.6% for comparable downtown-type property and used a capitalization rate of:

**CHOICE OF CAPITALIZATION RATE     9.5%**

In terms of cost, rehabilitation costs are declining just as rapidly as has office rent. Hard nosed developers today, when studying property, are seeing tenant improvement allowances of \$20.00 per square foot, costs of \$50.00 per square foot for "shell and core", and \$30.00 per square foot for soft costs for architectural, interest during construction, and leasing expenses and legal expenses. The overall result is a cost of \$100.00 per square foot, which would produce an estimate of value on an "as is" basis as follows:





PROPERTY	SALE DATE	CAP RATE
<u>225 FRIEND STREET</u>	<u>9/89</u>	<u>9.02%</u>
<u>50 FEDERAL STREET</u>	<u>6/89</u>	<u>7.32%</u>
<u>581 BOYLSTON</u>	<u>3/89</u>	<u>8.11%</u>
<u>131 STATE STREET</u>	<u>1/89</u>	<u>5.70%</u>
<u>ONE WINTHROP SQUARE</u>	<u>3/89</u>	<u>5.70%</u>
<u>ONE LIBERTY SQUARE</u>	<u>10/89</u>	<u>7.60%</u>
<u>45 MILK STREET</u>	<u>5/88</u>	<u>5.90%</u>
<u>185 DEVONSHIRE STREET</u>	<u>7/89</u>	<u>7.15%</u>
<u>10 WINTHROP SQUARE</u>	<u>OFFER 12/89</u>	<u>8.80%</u>
<u>58 CHAUNCEY STREET</u>	<u>11/89</u>	<u>7.10%</u>



ESTIMATE OF VALUE  
OF  
CUSTOM HOUSE  
BASED ON FAIR MARKET  
PROFORMA ANALYSIS  
AND  
OFFICE USE PROGRAM

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Gross Income

Basement Restaurant		
5,600 SF @ \$35.00/SF		\$196,000
Ground Floor Retail		
3,160 SF @ \$40.00/SF		126,400
1st & 2nd Floor - Former		
Museum Space - Now Office Use		
12,100 SF @ \$25.00/SF		302,500
Office Space		
57,458 SF @ \$25.00		<u>1,436,450</u>
Total		\$2,061,350
Less: 10% Vacancy Allowance		<u>206,135</u>
Effective Gross Income		\$1,855,215

Expenses:

Operating		
78,318 SF @ \$6.30/SF	\$493,403	
Real Estate Taxes		
78,318 SF @ \$3.00/SF	<u>234,954</u>	<u>728,357</u>
Net Income		\$1,126,858

\$1,126,858 Capitalized @ 9.5% \$11,861,663

CALL: \$11,860,000

Less: Cost to Create

78,318 SF @ \$100.00/SF  
Call: \$7,830,000

"As Is" Value of Shell \$4,030,000



### Analysis of Market Sales Activities

With the decline in the market, the number of transactions has virtually stopped. Those that have taken place are typically foreclosure sales or sales tinged with special circumstances or foreclosure. The one property at the present point in time that is in process of sale on as close to an arm's-length basis as possible is 88 Broad Street. This is a 61,200 square foot, fully rehabilitated building which will be acquired by CJP at a reported price of \$6,400,000 or \$104.57 per square foot.

For shell space, at the peak of the market, price reached \$115.00 per square foot. This is the price at which 90 Canal Street sold for rehabilitation.

Today, with the market effectively cut in half, this would mean a shell value of \$57.50 per square foot. In this particular instance, we have utilized a shell value of \$55.00 per square foot or:

78,318 SF @ \$55.00/SF	\$4,307,490
CALL:	\$4,300,000

### Summary

In summary, based on a residual analysis, the worth of the Custom House from an income perspective is \$4,030,000.

When the market itself is reviewed, the resultant value produced indicates a realistic price of \$4,300,000.

Overall, after careful analysis of the property and after taking into account market indicators at this point in time, we have reached the conclusion that the most probable selling price for this parcel of real estate if sold based on its highest and best use in "as is" condition would be:

MOST PROBABLE SELLING PRICE	\$4,150,000
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Page 15

Mr. George L. McGoldrick, Jr.

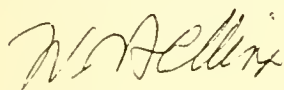
September 25, 1991

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We appreciate being called upon for this most interesting and challenging assignment, and if you have any questions, we will look forward to hearing from you.

Respectfully submitted,

WHITTIER PARTNERS

A handwritten signature in dark ink, appearing to read "W. A. Collins". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Webster A. Collins, MAI, CRE  
Executive Vice President/Partner

WAC:nc





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## ADDENDA

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TABLE C  
Project Cost Summary

Total Leasable Building Sq. Ft.	67,788	
Construction Period (mos.)	18	
Item	Cost	Cost/Sq. Ft.
General Conditions	\$699,250	\$13.27
Winter Conditions	101,370	1.50
Plant and Equipment	577,700	8.52
Demolition	400,000	5.90
Alterations	588,000	8.67
Excavation	141,000	2.08
Site Improvements	200,000	2.95
Concrete	19,620	0.29
Masonry	50,000	0.74
Masonry Restoration	500,000	7.38
Misc. Metal	131,500	1.94
Carpentry	81,750	1.21
Waterproofing	200,000	2.95
Roofing	114,240	1.69
Doors, Frames & Hard	79,570	1.17
Entrances, Wind, Glaz.	764,400	11.28
Gypsum Drywall	539,550	7.96
Tile Work	50,000	0.74
Flooring	7,630	0.11
Painting/VWC	150,000	2.21
Specialties	148,240	2.19
Elevators	662,000	9.77
Plumbing	250,000	3.69
Fire Protection	397,000	5.86
HVAC	1,130,000	16.67
Electrical	795,000	11.73
Asbestos Removal	500,000	7.38
Tenant Improvements		
Tenants	3,094,700	45.65
Common/Service	408,750	6.03
Subtotal	\$12,981,270	191.50
Fee	649,064	9.57
<b>Total-Hard Costs</b>	<b>13,630,334</b>	<b>201.07</b>
Property Acquisition	11,000,000	162.27
Title Insurance	25,000	0.37
<b>Total-Acquisition Cost</b>	<b>11,025,000</b>	<b>162.64</b>
Architecture and Engineering	1,260,806	18.60
Permits and Fees	116,303	1.72
Consultants	126,081	1.86
Arch. & Eng. - total	\$1,503,190	22.17
Legal Fees	300,000	4.43
Accounting	20,000	0.30
Project O/M & Superv.	750,000	11.06
Financing Fees	246,553	3.64
Comm. Loan Interest @ interest rate 9.50%	3,160,967	46.63
P. E. Tax during const.	271,152	4.00
Liability Insurance	50,000	0.74
Leasing Commission	440,622	6.50
Contingency	500,000	7.38
<b>Total- Soft Costs</b>	<b>57,242,484</b>	<b>106.84</b>
<b>Total Development Cost</b>	<b>551,887,818</b>	<b>5470.55</b>
Soft Costs as % of Hard Costs	53%	
Soft Costs as % of Total Dev. Costs	23%	



TABLE D:  
Leasing Plan

Floor	Use	Net Sq. Ft	Tot. Rent.		Rent
			Sq. Ft.	Rental Rate (per Sq. Ft.)	
Basement	Retail /Restaurant	5,600	5,600	\$50.00	\$280,000
Ground	Retail	3,160	3,160	40.00	126,400
1st	Museum	6,310	6,310	0.00	0
2nd	Museum	5,790	5,790	0.00	0
3rd	Bldg. Util		0	0.00	0
4th	Office	2,960	3,416	40.00	136,640
5th	Office	3,260	3,762	40.00	150,480
6th	Office	3,260	3,762	40.00	150,480
7th	Office	3,260	3,762	40.00	150,480
8th	Office	3,260	3,762	40.00	150,480
9th	Office	3,260	3,762	40.00	150,480
10th	Office-Beal Cos.	3,260	3,762	40.00	150,480
11th	Office-Beal Cos.	3,260	3,762	40.00	150,480
12th	Office-Beal Cos.	3,260	3,762	40.00	150,480
13th	Office-Beal Cos.	3,260	3,762	40.00	150,480
14th	Office-Beal Cos.	3,260	3,762	40.00	150,480
15th	Office-Beal Cos.	3,260	3,762	40.00	150,480
16th	Office	2,750	3,174	40.00	126,960
17th	Office	2,750	3,174	40.00	126,960
18th	Office	2,520	2,908	40.00	116,320
19th	Elevator Mach.	1,440	1,440	0.00	0
20th	Office	1,700	1,962	40.00	78,480
21st	Storage	1,170	1,170	15.00	17,550
22nd	Office	1,250	1,443	40.00	57,720
23rd	Clock/Storage	1,440	1,440	15.00	21,600
24th	Storage	1,250	1,250	15.00	18,750
25th	Obser. Flr. / Retail	600	600	20.00	12,000
26th	Obser. Flr. / Retail	970	970	20.00	19,400
27th	Unleasable Space	570	570	0.00	0
28th	Unleasable Space	270	270	0.00	0
29th	Unleasable Space	90	90	0.00	0
30th	Unleasable Space	0	0	0.00	0
Office - NRSF		49,790			
Building Attributable		7,668			
Total - Office Rentable			57,458		
Total Rent - All Uses					\$2,794,060
Building uses:				% of Tot. Bldg.	
Office			57,458	68%	
Retail			10,330	12%	
Museum			12,100	14%	
Storage			3,860	5%	
Unleasable Space			930	1%	
Total office & retail			67,788		

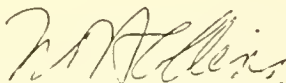




## CERTIFICATION

The undersigned does hereby certify as follows:

- (A) I have inspected the property.
- (B) I have no present or contemplated future interest in the real estate that is the subject of this appraisal report.
- (C) I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved.
- (D) To the best of my knowledge and belief the statements of fact contained in this appraisal report, upon which the analysis, opinions and conclusions expressed herein are based, are true and correct.
- (E) This appraisal report sets forth all of the limiting conditions affecting the analysis, opinions and conclusions contained in this report.
- (F) This appraisal report has been made in conformity with and is subject to the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute.
- (G) The undersigned was involved in preparing the analysis, conclusions, and opinions concerning real estate that are set forth in this appraisal report.
- (H) The Appraisal Institute conducts a voluntary program of continuing education for its designated members. MAI's and RM's who meet the minimum standards of this program are awarded periodic educational certification. Webster A. Collins is certified under this program through September 15, 1992.
- (I) The real property which is the subject of this appraisal report was valued as of September 25, 1991.



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Webster A. Collins, MAI, CRE



## ASSUMPTIONS AND LIMITING CONDITIONS

In preparing this appraisal report, it has been assumed by the appraiser:

That the title of the property is marketable;

That the property description as furnished is correct;

That no responsibility is assumed for legal matters, especially those affecting the title of the property;

That the property is appraised as if free and clear of any liens and encumbrances except as noted herein;

That the information and opinions identified in this report are reliable, although the appraiser can assume no responsibility for their accuracy;

That the exhibits included in this report are provided solely for the purpose of assisting the reader in visualizing the property and understanding the information presented, and that no responsibility is assumed in connection with the exhibits;

That normal access to the site is a prerequisite for the estimate of value cited herein;

That the possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose without the previous written consent of the appraiser and the owner of the qualifications;

That the value estimated in this report represents the value of the property in the ordinary course of business and under stable market conditions and not on a forced liquidation basis;

That the distribution of the total valuation in this report applies only to the existing utilization of the land; and that separate valuations must not be used in conjunction with any other appraisal and are invalid if so used;



That unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, ureaformaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

And that, as the author is governed by the ethics of the Appraisal Institute, this report is subject to review at any time by the Appraisal Institute.



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## WEBSTER A. COLLINS

Webster A. Collins, Executive Vice President and Partner, P.C. of Whittier Partners is a real estate consultant involved with a number of the firm's real estate programs. This includes valuation, real estate counseling, and investment sales. His experience extends over a period of twenty-five years and includes analysis of over 11.5 billion dollars in property.

### Valuation

When completing an appraisal, each assignment will counsel the client on issues of value, market forces, and alternatives or unique aspects that may impact a property. Specific appraisal assignments completed include:

- |                               |  |
|-------------------------------|--|
| <b>Fan Pier Litigation -</b>  | Part of the valuation team presenting HBC Associates (Pritzker family) on breach of contract suit involving a 3,263,000 square foot development. |
| <b>Copley Place -</b>         | A \$520,000,000 mixed-use hotel, office, retail and housing complex in Copley Square.  |
| <b>53 State Street -</b>      | A 40-story, 1,100,000 square foot, high rise office building.  |
| <b>Sherburne Associates -</b> | A 160-property appraisal assignment representing 50% of the commercial property on Nantucket.  |
| <b>Prudential Center -</b>    | The taking of a portion of this mixed-use, 4,500,000 square foot property for expansion of the Hynes Auditorium.                                 |
| <b>Chase Manhattan Bank -</b> | Appraisal of over \$200,000,000 in office industrial, and apartment property in downtown and suburban Boston for a blanket mortgage loan.        |





Although his experience is primarily in New England, he has completed assignments throughout the United States. He is a member of and represents the firm as part of Valuation Network, Inc. (VNI), a nationwide consortium of appraisal and consulting firms. He is National President of VNI for 1991-1992.

He has developed a specific expertise on Nantucket Island. Over 4,000 acres of land out of a total area approximating 30,000 acres have been appraised.

He is a member of The Appraisal Institute (MAI) and is a Past President of the New England Chapter. He has been involved with over 25 million square feet of office space and over 20 million square feet of industrial space.

### Real Estate Counseling

Real estate counseling is a separate discipline which offers advisory services on a wide range of real estate issues. Examples include:

- Market studies including supply and demand analysis
- Feasibility studies
- Advice on corporate real estate programs
- Air rights leases and ground leases
- Tenant representation to negotiate office or industrial leases
- Real estate tax abatements
- Rehabilitation studies and development consulting
- Owners' representative/agent in sale negotiations

Any counseling services are undertaken based on a pre-agreed upon fee for services. Mr. Collins is a member of the American Society of Real Estate Counselors (CRE) and has served on their Board of Governors. He has served as Editor of The Counselor, published by The Society; is the author of a monograph: Office Rehabilitation: Key Ingredients for Successful Projects; and moderated the program Rehab - Boston Style. He is an instructor of professionally sponsored real estate counseling courses.



He has qualified and testified as an expert witness on real estate matters on over one hundred occasions before tribunals arbitrating disputes, courts, Appellate Tax Boards, and federal jurisdictions. He has testified in all New England states as well as Georgia and Minnesota. He is an expert on estate and gift tax matters involving Internal Revenue Service and state taxation authorities.

### Investment Sales

The selling of investment property is a specialty unto itself that utilizes all aspects of a counselor's skill in analysis and negotiation. Investment sales involves the proper buyer-seller matching that comes about only when a counselor is able to apply the sum total of his or her years of experience.

Under a team approach, Mr. Collins, in recent years, has put together over \$150,000,000 in transactions which include:

Harbor South -	A 203,000 square foot office building
Woburn Industrial Center -	A 506,000 square foot, 6-building industrial park
Inner Tech Park -	A 150,000 square foot, high tech manufacturing campus
One Marlboro Place -	A 160,000 square foot research and development building
Canton Commerce Center -	A 360-acre office, research and development park
Chemfab Home Office -	A 164,000 square foot sale/leaseback with sale of 155 acres of excess land
Lewiston Mall -	A 266,441 square foot regional shopping mall (but not including the Zayre store)

Overall, Mr. Collins is involved with community activities which include the Greater Boston Real Estate Board, where he is both a member and trustee of their Pension Fund. He is advisor to the William S. Ballard Scholarship Fund. He is Director of the Boston 5 Cents Savings Bank and member of their Pension Committee. He serves on the Steering Committee for a 100 million dollar expansion of the New England Deaconess Hospital. He served as a director of Joseph Farber & Company, Inc., Denver's largest appraisal and consulting firm and was part of the director's team which sold the company to its employees.





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